

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5759

EDMONDS COMMUNITY COLLEGE

Agency No. 610

January 1, 1995 Through June 30, 1996

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TABLE OF CONTENTS

	Page
Overview	1
Schedule Of Findings:	
1. Edmonds Community College Should Implement Controls Over All Assets, Including Small And Attractive Items, And Comply With State Regulations	2

EDMONDS COMMUNITY COLLEGE
Agency No. 610
July 1, 1995 Through June 30, 1996

Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at Edmonds Community College included procedures to satisfy the requirements of the 1995 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was a finding, which is listed in the schedule following this Overview, for Edmonds Community College.

Brian Sonntag
State Auditor

October 23, 1996

EDMONDS COMMUNITY COLLEGE
Agency No. 610
July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. Edmonds Community College Should Implement Controls Over All Assets, Including Small And Attractive Items, And Comply With State Regulations

Edmonds Community College does not have adequate controls to account for assets, including small and attractive items, in accordance with state regulations.

- a. The college developed a policy to identify and tag small and attractive assets, however, adequate controls were not implemented to ensure that these assets were properly added to and deleted from agency property records.

We traced 12 small and attractive items to the property records. We found that 4 items were either not recorded or were recorded to the wrong physical location in the record or had incorrect tag numbers.

The college did not have a mechanism to ensure disposals of small and attractive assets were recorded. We found small and attractive assets listed in inventory that had been previously disposed of.

The State of Washington Office of Financial Management (OFM) *Policies, Regulations, and Procedures* manual, Section 3.1.2.2.7 states:

. . . small and attractive fixed assets are to be considered inventoriable assets and should be carried on the property records of the agency.

Section 3.1.2.2.12 states:

. . . fixed assets should be removed from the property records when disposed of.

College management did not clearly assign the responsibility of recording changes and deletions to the small and attractive inventory property records.

- b. The college did not conduct a physical inventory of all inventoriable assets during 1996. Their last physical inventory was conducted in the summer of 1993.

OFM *Policies, Regulations, and Procedures* manual, Section 3.1.2.2.11 states:

. . . agencies are to initiate and document an inventory program to ensure that every inventoriable fixed asset is subject to a physical count or verification every two years.

Management stated that because of staffing limitations a full physical inventory had not been completed.

- c. Inadequate segregation of duties exists in the duties assigned to the inventory clerk. The inventory clerk is responsible for receiving all assets, recording the asset additions in the inventory system, recording of disposals, and participated in the last complete inventory.

OFM *Policies, Regulations, and Procedures* manual, Section 6.1.1.2.4.b (1) states:

Division of Duties - Whenever possible, no individual is to have complete control over any type of asset in any agency. The work of employees handling public assets should be complementary or checked by other employees. This will not only decrease the chance of loss by means of fraud or dishonesty, but will also provide a means to detect errors.

By failing to properly account for all inventoriable assets, and not taking a physical inventory timely, the college may not be properly safeguarding assets and increases the possibility of misappropriation of assets.

We recommend Edmonds Community College implement controls over assets, including small and attractive items, and comply with state regulations.

Auditee's Response

The college had a concern about this issue and used this audit as an opportunity to give special attention to it. We were especially concerned about our controls or lack thereof for the small and attractive items in the area of technology. We are scheduled to conduct a full inventory in February of this year.

In the terms of tightening up our process for better internal controls, our Purchasing Manager is currently developing a different process that will utilize the two buyers in the purchasing office, staff from information technology and our receiving department to spread the responsibilities for the receiving and tracking of the small and attractive asset types. We think that once this is put into place we will be in compliance with all applicable regulations.

Auditor's Concluding Remarks

We appreciate Edmonds Community College's commitment to resolve the matters noted in our finding. We shall review these areas during our next audit.